US Army Corps of Engineers

Civil Works Program Development

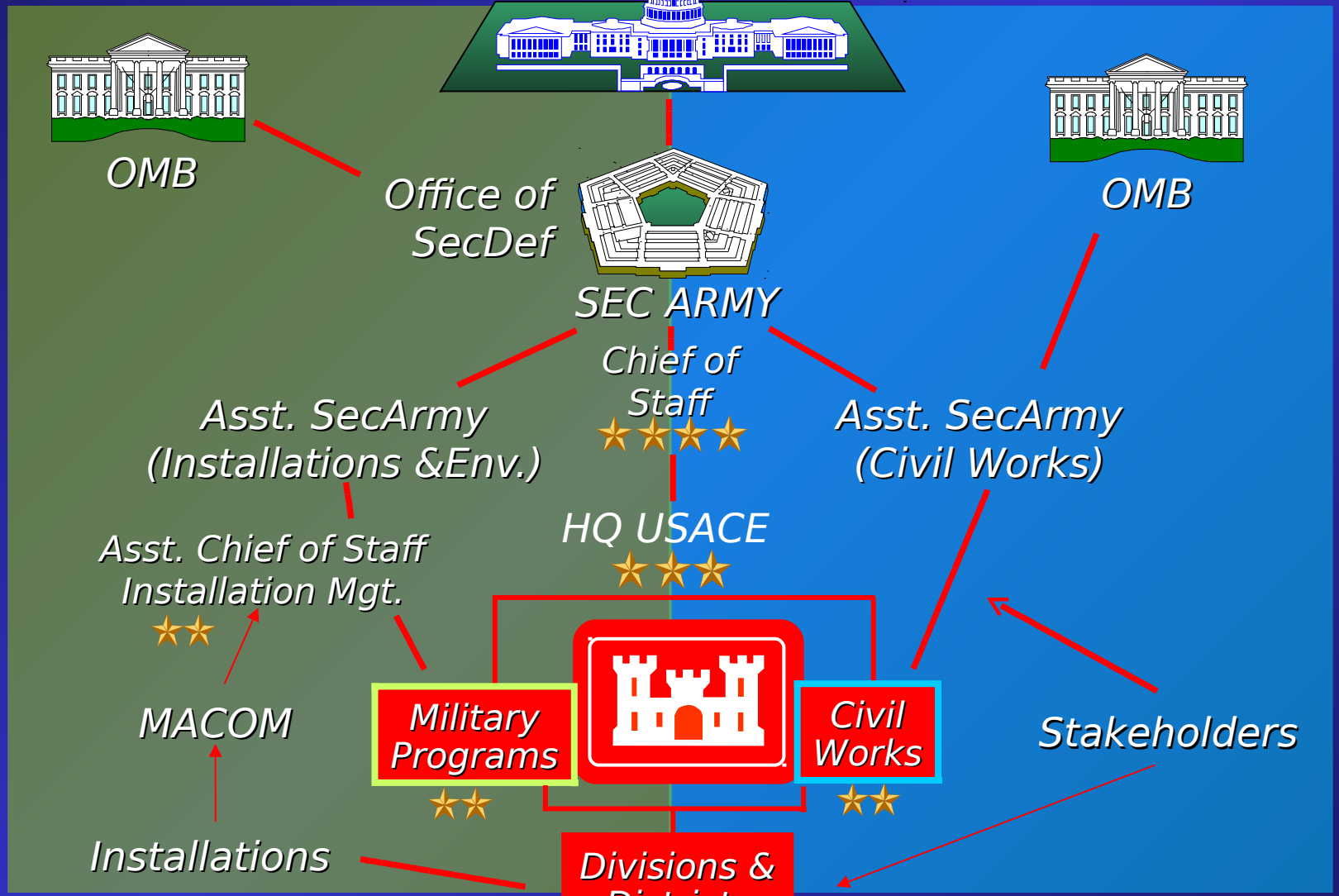
Mike Pfenning

Civil Works Programs Integration Division

Program Development Branch Chief

US Army Corps of Engineers

Authorization/Appropriations Process - The Major Players



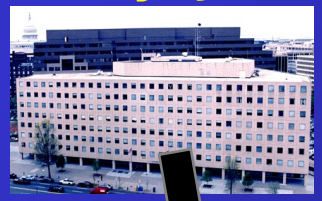
Budget Cycle

US Army Corps of Engineers

HQ Provides Budget Guidance (Mar)

Field Offices Develop Program Requirements (Mar - Apr)

HQ Review & Approval (May -Jun)



Budget Presented to Sec. Army (Jul - Aug)

Budget Submitted to OMB (Sep)

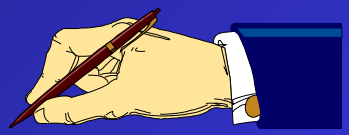
OMB Passback (Nov)

President's Budget to Congress (Feb)

Cong. Hearings (Mar - Apr)

Appropriations Bills (Jul - Sep)

President Signs Approp. Bill (Sep - Oct)



OMB Provides Budget Guidance (Jan)

Funding Alloc. To Field Offices (Oct - Dec)

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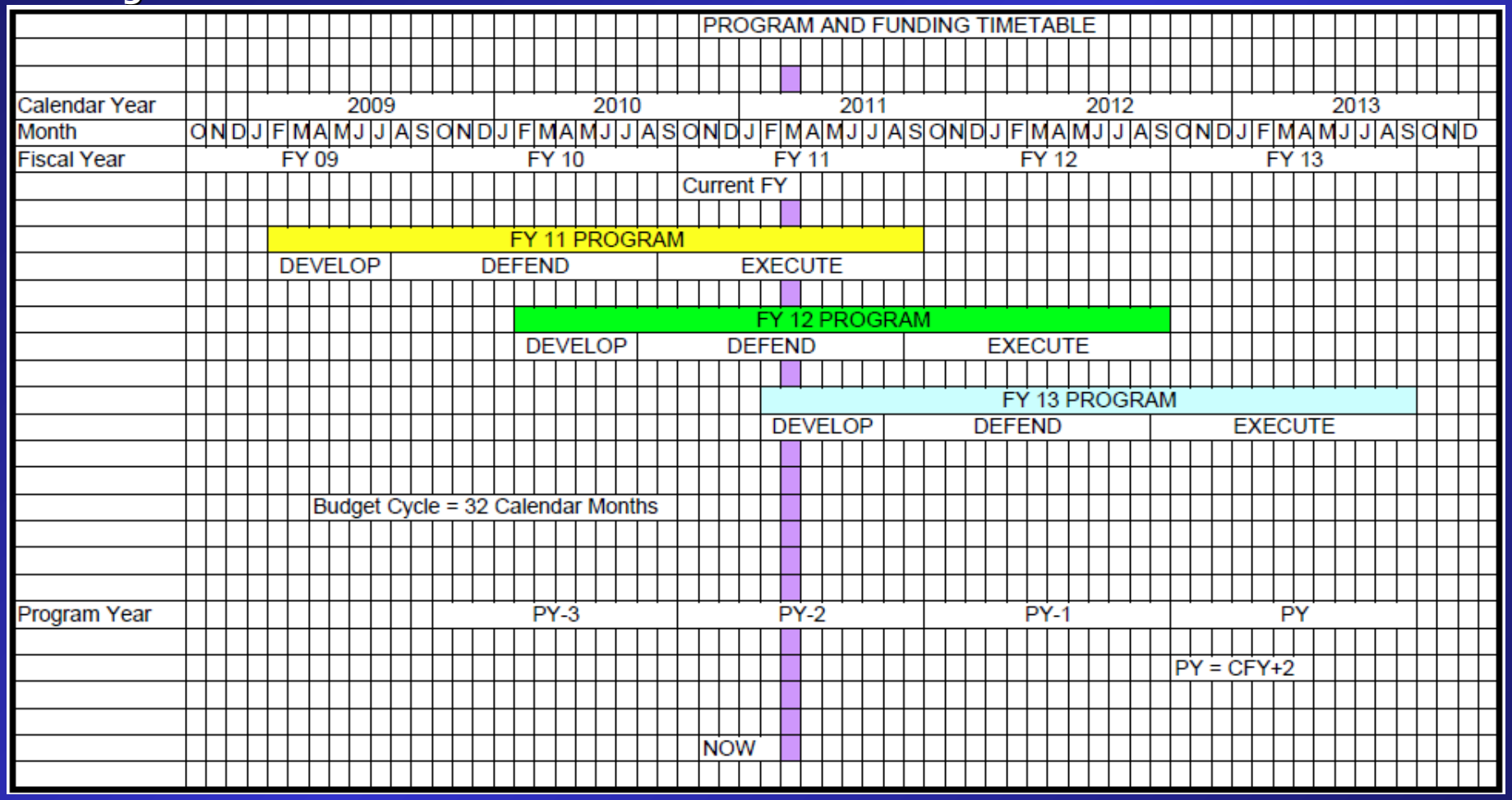

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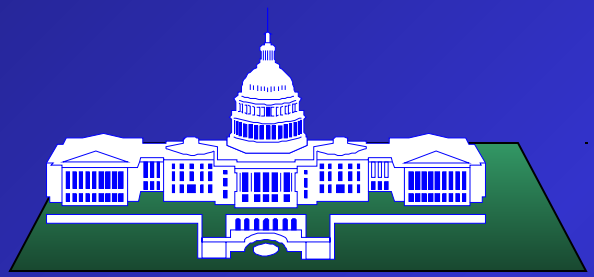
Congressional Committees Engaged in Civil Works Activities



House

- Appropriations
- Budget
- Transportation and Infrastructure
- Resources

Senate

- Appropriations
- Energy and Natural Resources
- Environment and Public Works
- Indian Affairs

US Army Corps of Engineers

Appropriations Committees

Senate Appropriations Committee:

- 30 Members
- 12 Subcommittees, Including 18-member Subcommittee on Energy and Water

House Appropriations Committee:

- 60 Members
- 12 Subcommittees, Including 16-member Subcommittee on Energy and Water Development, and Related Agencies

Energy and Water Development Subcommittees Responsible for:

- Annual Review of President's Budget
  - Corps Civil Works
  - Bureau of Reclamation
  - Department of Energy

US Army Corps of Engineers

Our Relationship with Congress

Day-to-Day Relationships are District and Division Responsibilities

Assistance from Programs Management Division

Drafting Services...

- Legal and Policy Issues
- Loopholes

There is More than One Side to an Issue and Other Sources of Information

Office of Management and Budget

Director – Jacob Lew

Deputy Director – Jeffrey Zients

Associate Director for Natural Resource Programs
Sally Ericsson

Energy, Science & Water Division
Richard Mertens

Water and Power Branch
Gene Ebner

Reviews Water Resources Programs of Corps and Other Agencies

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Program Performance Measurement

Converging Forces

- GPRA
  - Strategic planning
  - Performance planning
  - Performance reporting
- Budget development

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APPROPRIATION ACCOUNTS

Investigations (I)

Construction (C)

Operation & Maintenance (O&M)

Flood Control, Mississippi River & Tributaries (FC,MR&T)

Regulatory Program (RP)

Formerly Utilized Sites Remedial Action Program (FUSRAP)

Expenses (E)

Flood Control & Coastal Emergencies (FCCE)

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BUSINESS LINE STRUCTURE

Navigation

Coastal harbors and channels; Inland Waterways

Flood Damage Reduction

Riverine Floods; Coastal Storms

Environment

Aquatic Ecosystem Restoration

Stewardship

Formerly Utilized Sites Remedial Action Program (FUSRAP)

Hydropower

Recreation

Water Supply

Flood Control and Coastal Emergencies

Regulatory Program

Support For Others

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CIVIL WORKS BUDGET FORMULATION

TRADITIONAL APPROACH:

- By account (Surveys and Design/Construction/O&M, etc.)
- Geographic balance considered
- Funding shortages spread across nearly all activities

BUDGETING BY PERFORMANCE:

- By business program (navigation, flood, etc.)
- Funding distributed based on outcomes
- Highest priority work funded at an efficient rate
- Lower priority work may be deferred, even if already started

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Observations
Budget & Financial Mgt Practices

Congress, Admin, Field, Stakeholders

- No Vision, “A collection of projects”
- No goals, objectives, metrics as req’d by President’s Management Agenda
- Supporting materials not timely, accurate (NOT THIS YEAR!)
- Not responsive to local and regional priorities
- Basis for decisions changes from year to year; difficult to plan for the future
- Complex, complicated; difficult to understand reasons for budget decisions
- Projects funded inefficiently
- Appropriation not administered as Congress intends

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FY 07/08 APPROPS POLICY DECISIONS (still relevant today)

FUNDS MANAGEMENT

- Reprogramming
  - Not permitted if:
    - Initiates or Eliminates PPA's
    - Increases resources for PPA's cut in conference
    - Applies funds to other Purposes
    - Changes existing PPA's by lesser of $2M or 50% w/o prior notification
- Savings and slippages (S&S)
  - None assigned
- Continuing Contracts
  - Still authorized but on a very restricted, well justified basis
- Quarterly Allocations
  - Work allowances tied to Schedules issued on a quarterly basis on the expected rate of execution for each quarter.
- Execution, Carryover, Performance, Metrics

CW Funding Through 12 Budget

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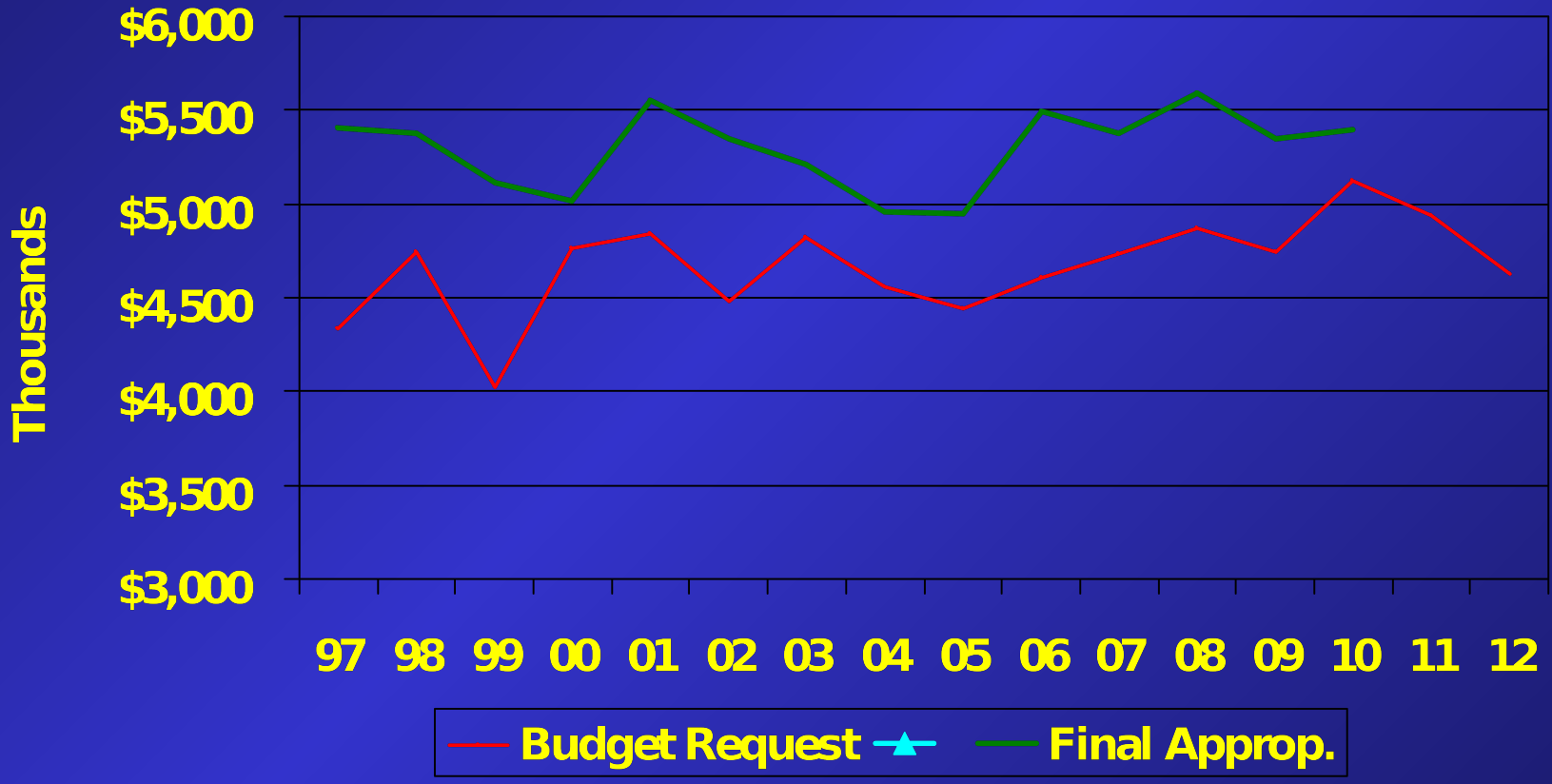

One Corps Serving the Army and the Nation

FY07 Constant $

US Army Corps of Engineers

Performance Based Budgeting

Use Performance Measures and Policy Direction Guidance memo to:

- **Rank competing investments in each business program**
- **Demonstrate improved outcomes from added increments**

Develop program amounts based on internal performance metrics for:

- **GE; REG; FCCE; REC; ENV Stewardship; FUSRAP**

Develop program amounts for project-competing business lines:

- **Initial level (No new work, phases or contracts, previously budgeted projects only)**
- **Categorize and Prioritize CG projects into incremental levels**
- **O&M starts at 75% of past 5 years and grows from there, performance-wise**
- **Investigations starts with the 08 amount as a base**

Add to the Highest Priority, ongoing projects & contracts to “Final Budget”

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Budgeting Metrics

CONSTRUCTION

- Flood Risk Mgmt., Navigation, Hydropower – Benefit to Cost Ratio (BCR)
- Flood Risk Mgmt., Navigation – Dam Safety & Seepage Stability (Continuing DSAC 1 & 2, continuing contracts (2))
- Flood Risk Mgmt., – Risk to Live Index (Warning time, flow, depth, …)
- Environmental – Point values for loss prevention for significant natural resources

O & M

- Navigation, Flood Risk Mgmt., Hydropower– Risk & Consequences Assessment
- Recreation – Park Capacity and Facility Condition Index, Visitation …
- Navigation – Tonnage movements (Harbors: tons; Waterways: ton-miles)

ALL ACCOUNTS

- Continuing/New/Completing/Years to Complete
- Watershed Elements (Mainly studies w/BCR for PEDs)
- Endangered Species Act & and Regulatory compliance
- Health, Safety, Caretaker, Legal, Subsistence

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FY 12 CONSTRUCTION BUDGETING GUIDELINES

I) Projects will be ranked by BCR @7% except Aquatic Ecosystem Restoration which are by cost effectiveness and significance.

II) Ongoing Projects – above 2.5 BCR or AER (Cont Cont Needs) and those physically completing

III) Projects Addressing Significant Risks to Human Safety – Projects ranked based on risk (uninterrupted effort funding)

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FY 12 CONSTRUCTION BUDGETING GUIDELINES (contd)

IV) Lower priority project contracts – Projects with less than 2.5 BCR considered for Deferral

V) New Starts and Resumptions could be funded if their BCR's are high

VI) Other Cases – Projects complying with treaties and BiOps and/or meeting mitigation requirements as well as Dam safety, seepage control, static instability correction (maximum funding for efficient and effective execution)

FY2012 CW Program by Account

($ Millions)

US Army Corps of Engineers

Account	FY 2009 Budget	FY 2009 Approp	FY 2010 Budget	FY 2010 Approp	FY 2011 Budget	FY 2012 Budget
Construction	1402	2142	1718	2031	1690	1480
Operation & Maintenance	2475	2202	2504	2400	2361	2314
Mississippi River & Tributaries	240	384	248	340	240	210
Regulatory	180	183	190	190	193	196
FUSRAP	130	140	134	134	130	109
Investigations	91	168	100	160	104	104
Flood Control & Coastal Emergencies	40	0	41	0	30	27
Expenses	177	179	184	185	185	185
ASA(CW)	6	4.5	6	5	6	6
Total	4741	5403	5125	5445	4939	4631*

One Corps Serving the Army and the Nation

* FY12 Budget is $308 million (6%) below FY11 Budget
FY12 Budget is $913 million (17%) below FY10 Appropriation

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Civil Works Budget Math

Civil Works Budget Ceiling **~$4,600** million

Allocate GE, Reg., FCCE, Rec., FUSRAP... - 800
Allocate Base O&M (~75% of required) - 1,600
Essential Dam Safety - 400
Aquatic Ecosystem Restoration - 500
Continuing Construction at Base Level - 1000
Planning Studies - 100
Minimum Essential Allocation = - $4,400

Left for all other CW Projects & Programs
~$200

*Use that $200 million for O&M.

THAT'S IT!

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Funding Outcomes (1/4) (FY 2012 Budget compared to FY 2011 Budget)

- Dam Safety project requirements - down 10M
- Endangered Species Act (ESA) requirements – down $15M
- “Life” projects - down $59M
- Environmental Mitigation (including ESA) - down $21M
- Environmental Restoration (not including FUSRAP and Stewardship) - down $53M
- High Performing Projects overall - down $3M
- Continuing contracts - down $17M

Funding Outcomes (2/4)

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Investigations –

- Continue highest performing studies and design
- Four new studies: Englebright and Daguerre Point Dams (Yuba River), California Fish Passage; Cano Martin Pena, Puerto Rico; the Chesapeake Bay Comprehensive Study; and the Louisiana Coastal Area Comprehensive Study
- No new PED's
- 6 PED completions: All in LA Coastal Area Ecosystem Restoration.
- No increase from 2011.
- PEDs with BCRs of 2.5 to 1 or higher are funded.

Funding Outcomes (3/4)

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Construction –

- Continue 100% funding for legal requirements (mitigation & BIOPs) & Dam Safety.
- IWTF construction and rehabilitations constrained to anticipated revenues of $77M.
- Two hydropower mitigation projects for $5M.
- CAP - Funding at $23M using unobligated balances from Sections 14, 103, 107 and 208
- 2 new construction starts: Hamilton City, CA and Raritan to Sandy Hook (Port Monmouth), NJ
- 2 continuing contracts: McCook and Thornton Reservoirs, IL ($12M) and Olmsted Locks and Dam, IL & KY ($150M).
- 3 construction completions: Crookston, MN; Dover Dam, OH; and Santa Paula Creek, CA.
- Environmental Restoration - Continues Everglades. Continues Columbia River Fish Mitigation and Missouri Restoration

Funding Outcomes (4/4)

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Operations & Maintenance –

- 3% decrease in bottom line.
- Water Supply - collections and operations + Upper Missouri study
- Low Use Commercial Navigation - reduced by ~50%.
- Recreation – funding reduced from $282M to $259M. Some impacts likely (closed parks, reduced services at some parks)
- Reimbursement to Fish & Wildlife Service for hatchery maintenance

Regulatory Program – Increased from $193 million to $196 million to implement new field level initiatives for Clean Water Act jurisdictional determination and rulemaking and inflation.

FUSRAP – Reduced to $109 million for studies and ongoing remediation

US Army Corps
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FOR THE FUTURE

Expect a major debate on Federal funding priorities to commence with the FY 12 budget and continue

We will continue to place a high priority on execution of all that is appropriated

We will seek to improve our budget ‘defense’ of the value to the nation of the water resources infrastructure for which we are responsible

HOW WE ALL CONTRIBUTE

US Army Corps
of Engineers

USACE:

- Develop the vision, goals, objectives in an open, collaborative way
- Implement the Strategic Plan

Administration:

- "Walk the performance-based budget talk."

Stakeholders:

- Contribute to vision, Goals, Objectives, Metrics

ALL: Keep Communicating!

- A Vision to have a water resources infrastructure that will serve this Nation's economic, quality of life needs, today and into the future.